

# Stateline Midwest

Vol. 19, No. 8 • September 2010  
MLC Annual Meeting Edition

THE MIDWESTERN OFFICE OF THE COUNCIL OF STATE GOVERNMENTS

## INSIDE

### MLC Committees Meet 2-3

- **Agriculture** — Legislators hear about twists and turns in Ohio debate over animal care
- **Economic Development** — Strengthening regional economic cooperation focus of meeting
- **Midwest-Canada Relations** — The case for harmonizing U.S., Canadian regulations
- **Energy** — Value of energy trade underscores interconnectedness of region's states, provinces
- **Health & Human Services** — Lawmakers get menu of ideas on curbing childhood obesity

### Around the Region 4

- MLC adopts 12 policy resolutions in Toronto
- Broder previews 2010 elections in Midwest

### Question of the Month 5

How have states in the Midwest decided to organize their high-risk insurance pools?

### MLC Policy Roundtables 6-7

- Future of state pension systems
- Varying policies used to turn around schools
- Road map for multi-modal transportation policy
- Ontario a testing ground for feed-in tariff

### Profile 8

Indiana Rep. Scott Reske

### FirstPerson 9

Michigan Rep. Bill Rogers

### CSG News & Events 10-11

- Nearly 500 attend MLC meeting in Toronto
- Congratulations to 2010 BILLD Fellows
- Great Lakes Legislative Caucus forms task forces

### Capitol Clips 12

- New campaign disclosure rules in the Midwest
- Ohio begins indexing income tax brackets
- Lawmakers target "synthetic marijuana"
- Popularity of farmers markets on the rise

*Stateline Midwest* is published 11 times a year by the **Midwestern Office of The Council of State Governments.**

Annual subscription rate: \$60.  
To order, call 630.925.1922.



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# China and the Midwest

## Fallows: Rise of China has posed economic challenges, but also offers opportunities with right mix of policy responses

by *Tim Anderson* ([tanderson@csg.org](mailto:tanderson@csg.org))

By 2030, economists say, China's economy may overtake the United States' as the largest in the world.

But award-winning journalist James Fallows has another set of indicators to use in determining when policymakers in this country should worry about China supplanting the United States as a global economic and cultural power.

"It will be when a large surge of people want to become Chinese citizens," Fallows said during an August speech at the Midwestern Legislative Conference Annual Meeting. "When people want to raise their children within the Chinese system. When they want to breathe the air in Shanghai or Beijing. When they want to be educated in China's public schools and attend China's universities."

That day, Fallows said, is not in sight.

For much of the past four years, Fallows, national correspondent for *The Atlantic* magazine, has lived in China, examining the country's dramatic rise and its impact on the global economy.

He shared his insights with state and provincial lawmakers in Toronto at the opening session of the MLC Annual Meeting. Fallows gave a cautiously optimistic message about the economic future of the North American heartland and about its dealings with the "competitor of the moment."

Take the rise of China seriously, he said, but don't be afraid; instead, look at it as an opportunity.

"There are ways in which the Midwest region can interact successfully with the growing Chinese system," he said, "and perhaps to a greater degree than would be obvious if you just read the press."

There are challenges to be sure, and perhaps most apparent are the effects of what Fallows called the "Wal-Mart bargain," which has been felt by many people, communities and states in this region.

"More of the manufacturing jobs have gone to China, more of the consumer benefits have gone here," he said. "That is the kind of tension we see in the Midwest."

The bargain is also seen in international trade numbers. Every state in the Midwest carries a significant trade gap with China

(see table on page 5); in the majority of Midwestern states, the value of goods imported from China in 2009 was four times or more as high as the value of goods exported to China, according to the foreign trade division within the U.S. Census Bureau.

Low-cost manufacturing, along with infrastructure development and building construction, has fueled China's economic growth, Fallows said.

But he notes that the country is still well behind the United States and Canada in areas that will be critical to future economic prosperity.

For example, Fallows asked: "How many corporate Chinese brand names can you name? That is where the real wealth in a national economy goes."

He noted, too, that not a single Chinese university is listed among the top 200 universities in the world; in contrast, most of the top 100 are in North America (higher education is a particular strength of the Midwest).

Fallows listed other daunting challenges for China to overcome: It is a fractured country, lacks intellectual openness, and has many environmental and natural resources problems to address.

"If you look at the economies of the future, there are reasons to think that North America, the U.S. and Canada in particular, are better positioned than any other set of

### Thank you to MLC meeting participants, contributors

The Midwestern Office of The Council of State Governments would like to thank the legislators and outside contributors that made the 2010 MLC Annual Meeting in Toronto a success.

Ohio Sen. Steve Buehrer, chair of the Midwestern Legislative Conference, and Ontario Legislative Assembly Speaker Steve Peters helped lead planning efforts for the four-day event, which took place in August and attracted nearly 500 people.



This month's *Stateline Midwest* highlights some of the policy sessions and MLC committee meetings held during the meeting, as well as some of the actions taken by the region's legislators. More information on the meeting — including speaker presentations and a list of companies and associations that helped sponsor the event — is available at [www.csgmidwest.org](http://www.csgmidwest.org).

economies in the world to deal with the real challenges of an internationalized age, one in which knowledge industries are more and more important," Fallows said.

He suggested that the real challenge does not come from China, but rather from within: Political leaders must make the necessary policy choices and changes

► PLEASE TURN TO PAGE 5



*Acclaimed journalist James Fallows speaks at the Midwestern Legislative Conference Annual Meeting. The focus of his talk was the economic rise of China and its implications for U.S. states and Canadian provinces in North America's heartland. Fallows has spent several years living in and reporting on China. Following his presentation, a panel of experts talked to state and provincial lawmakers about the economic challenges for the region and potential policy responses.*

Last month, the five policy committees of the Midwestern Legislative Conference held meetings on the first day of the MLC Annual Meeting in Toronto. This month's Issue Briefs section summarizes some of the policy issues discussed and policy goals set by the committees. For more information on the committees, or to access presentations from the August meetings, please visit [www.csgmidwest.org](http://www.csgmidwest.org).

## Agriculture & Natural Resources

### Ohio becomes battleground in fight over state animal care laws

An anticipated Election Day battle in Ohio over the proper care of farm animals has been averted as the result of a compromise agreement reached this summer between the governor, agricultural leaders and the Humane Society of the United States (HSUS). But at the Midwestern Legislative Conference Annual Meeting in August, Ohio Republican Rep. Jim Zehringer told fellow lawmakers that the issues of livestock care and animal welfare will not be going away anytime soon in his state.

The same is likely true in other Midwestern states, particularly those like Ohio that allow for citizen-initiated ballot initiatives.

Last November, Ohio voters approved a constitutional amendment initiated by the legislature. That amendment created a Livestock Care Standards Board and charged it with establishing standards governing the care and well-being of livestock and poultry. Formation of the board was seen by many as a proactive strike by lawmakers against an expected ballot campaign by the HSUS.

Indeed, the HSUS launched a petition drive this year and obtained enough signatures to put on the November ballot what the group called “an anti-factory-farming measure.” However, the HSUS agreed not to pursue the ballot initiative in exchange for the

following assurances:

- The use of veal crates will be banned in 2017.
- The sale and new ownership of exotic animals as pets will be prohibited.
- HB 108, which sets felony-level penalties for cockfighting, will be adopted.
- Tougher regulations on dog breeders (SB 95) must be passed by the legislature.
- The HSUS will work with Ohio's Livestock Care Standards Board to seek “the highest farm animal care and welfare standards” and to fund future research.
- Sow gestation stalls will be prohibited after 2025; no gestation stalls will be allowed in new facilities.
- The use of cages for layer hens in new facilities will be prohibited.
- The transport of downer cows for slaughter will be banned, and mandatory humane euthanasia methods for sick or injured animals will be adopted.

Ohio Farm Bureau President Jack Fisher has said that while agricultural groups believe they would have prevailed in November, “there was concern that

repeated [HSUS] ads showing animal cruelty would erode consumer confidence” in animal agriculture.

Some farmers have voiced their displeasure about the deal.

But Zehringer — who spoke about the issue during the MLC Agriculture & Natural Resources Committee meeting and at a breakfast roundtable discussion



Ohio Rep. Jim Zehringer discusses recent developments in his home state regarding livestock care and animal welfare.

— notes that plans to ban the movement of downer cows, regulate dog breeders, increase cockfighting penalties and prohibit veal crates were already moving ahead. He does worry, though, about the “open-endedness” of the agreement. The HSUS has said it will keep the ballot initiative as an option.

Other states, meanwhile, have been passing proactive animal-welfare bills. In Illinois, SB 3604 expands the duties of the state's livestock advisory board to include the approval of rules related to the well-being of poultry and domestic animals.

In Indiana, HB 1099 makes the state Board of Animal Health the sole regulator of animal care standards. The bill passed both chambers without a dissenting vote.

Brief written by Carolyn Orr, CSG Midwest staff liaison for the Midwestern Legislative Conference Agriculture & Natural Resources Committee. She can be reached at [corr@agandrurallleaders.org](mailto:corr@agandrurallleaders.org). The committee's co-chairs are Illinois Rep. Rich Myers and Minnesota Rep. Al Juhnke.

## Economic Development

### Committee explores how interstate collaboration can help bolster region's economy

In 2007, trade among five states in the Midwest — Illinois, Indiana, Michigan, Ohio and Wisconsin — totaled \$450 billion. To put that in perspective, only six bilateral trading partnerships in the world are bigger.

In a presentation last month to the MLC Economic Development Committee, University of Illinois economics professor Geoffrey Hewings said states in the region have too often “failed to appreciate and exploit [their] economic interdependencies.”

When one state's economic fortunes rise and fall, so do those of its neighbors. Hewings' research, for example, has linked the loss of 419,000 jobs in Illinois to the loss of 46,000 jobs in Indiana,

Michigan, Ohio and Wisconsin.

While economic activity spans political boundaries, regulatory policies and economic development strategies often do not.

Would it make sense, for example, to harmonize regulations, or create more reciprocal agreements, in order to make it easier to conduct business across state borders? Should states create an economic growth strategy for the Midwest?

Exploring the possibility of regional collaboration was the focus of last month's meeting, and it will be the focal point of the committee's work in the months ahead.

During a discussion led by John Austin of the Brookings Institution, legislators targeted several priority areas: access to capital, entrepreneurship, education and workforce issues, energy, trade promotion and infrastructure.

“It's in our interest to demonstrate how, in these

areas, we can collectively generate more than going it alone,” Austin said.

The committee also learned about two regional collaborative efforts already in place.

One is the 2009 Ontario-Quebec Trade and Cooperation Agreement.

“We were of one mind: Give companies in Ontario and Quebec the opportunity to compete successfully without barriers,” said Monte Kwinter, a member of the Ontario Legislative Assembly. Along with eliminating internal trade barriers, the inter-provincial agreement aims to improve transportation networks, establish innovation corridors in the life sciences and clean technology, promote regional tourism, and standardize regulations in areas such as financial services and professional licensing.

On the U.S. side of the border, one of the longest-running regional collaborative efforts is run by the Southern Growth Policies Board. Established in 1971 by an interstate compact, the board serves as an economic development think tank for 13 states and as a vehicle for regional partnerships in areas such as innovation and technology, international trade, and workforce and community development.



Nebraska Sen. Heath Mello and Michigan Rep. David Nathan participate in a discussion at last month's MLC Economic Development Committee meeting.

Brief written by Laura Tomaka, CSG Midwest staff liaison for the Midwestern Legislative Conference Economic Development Committee. She can be reached at [ltomaka@csg.org](mailto:ltomaka@csg.org). The committee's co-chairs are Ohio Rep. Ted Celeste and South Dakota Sen. Mike Vehle.



## Midwest-Canada Relations

### U.S.-Canadian economies are integrated; should two countries' regulatory regimes be as well?

In Canada, combined pain and sleep aids require a prescription, while in the United States, they do not. In the United States, fortified orange juice is classified as a food; in Canada, it is a drug.

The two countries even have a different standard for when a product contains the label "cheese flavored" popcorn — the standard is based on the amount of cheese in the popcorn, and the U.S. and Canadian standards are percentage points apart.

These and many other small regulatory differences add up to higher business compliance costs and can impede U.S.-Canada trade, professor Michael Hart of Carleton University wrote in a study published four years ago.

And at last month's MLC Midwest-Canada Relations Committee, Hart urged policymakers to give thought to this question: Should two countries whose economies are so closely integrated have two different regulatory regimes?

He said a thoughtful examination of this question should be part of what he called a "post-trade agenda": looking beyond trade agreements and

disputes and focusing on some of the non-tariff barriers to cross-border economic activity.

Hart, a former Canadian diplomat, suggested that the countries combine or harmonize their regulatory regimes wherever possible, in areas such as transportation, accreditation, telecommunications and financial services.

Under his scenario, officials would evaluate their regulations together and use a simple "show cause" rule to justify keeping certain rules as they



*John Nilson, a member of the Legislative Assembly of Saskatchewan, and Kansas Rep. Eber Phelps take part in a discussion at the MLC Midwest-Canada Relations Committee meeting.*

are. They would agree to harmonize a regulation unless there were an important reason not to. In some cases, both countries would agree to mutual acceptance (accept the different standards of certain regulations that were substantially similar, but that they did not want to harmonize).

Hart's presentation on what he called the "tyranny of small differences" was one of several ways that the MLC committee examined the economic relationship between the two countries. Members also explored policy options to open up agriculture trade and studied how dated or unenforced intellectual-property protections negatively impact business climate.

Forty-five state and provincial lawmakers took part in this year's committee meeting.

Brief written by Ilene Grossman, CSG Midwest staff liaison for the Midwestern Legislative Conference Midwest-Canada Relations Committee. Ilene can be reached at [igrossman@csq.org](mailto:igrossman@csq.org). The committee's co-chairs are Ontario Speaker Steve Peters and Michigan Rep. Rashida Tlaib.

## Energy

### Energy trade booming between Midwestern states and Canada

Cross-border energy trade between the United States and Canada was the focus of discussions during the August meeting of the MLC Energy Committee. Participating lawmakers heard presentations on the growing energy trade relationship between the two countries and its importance to the Midwestern states and provinces.

According to Beth Claude, state government affairs manager for Enbridge Energy Co., two-way trade in energy between the United States and Canada in 2009 was \$122 billion, more than a fifth of the value of all merchandise trade between the two countries.

Moreover, Canada is the largest foreign supplier of crude oil to the United States, with exports of 1.9 million barrels per day, representing more than 20 percent of all U.S. oil imports. And with more than 60 percent of Canadian oil exports destined for the Midwest, this vital trading relationship remains an

important driver of economic growth — largely in the form of refinery and pipeline expansions — in the MLC states.

Similarly, the growing American oil market remains critically important to Canada, which currently sends more than 99 percent of its total oil exports to the United States.



*Sharon Blady, member of the Manitoba Legislative Assembly, and Dan D'Autremont, member of the Saskatchewan Legislative Assembly, participate in the MLC Energy Committee meeting.*

The committee also examined the \$32 billion trade relationship between the Midwestern states and the province of Alberta, the largest supplier of crude oil to the Midwest. According to Iris Evans, Alberta's minister of international and intergovernmental relations, the province now accounts for roughly 80 percent of all Canadian oil exports to the Midwest.

While noting that Alberta's oil sands provide a secure and growing supply of oil to the United States, Evans also observed that the province's energy trade with the Midwest promises to be a significant source of job creation in the coming years and could produce as much as \$5.9 billion per year in Midwestern GDP growth between 2010 and 2025.

Brief written by Mike McCabe, director of the CSG Midwestern Office. He can be reached at [mmccabe@csq.org](mailto:mmccabe@csq.org). The co-chairs of the Midwestern Legislative Conference Energy Committee are Nebraska Sen. Deb Fischer and Iowa Rep. Donovan Olson.

## Health & Human Services

### Policymakers discuss ways to address childhood obesity

Obesity rates among children and teens have more than tripled in the last 30 years, according to data from the U.S. Centers for Disease Control and Prevention.

The issue has caught the attention of policymakers throughout the Midwest, and members of the MLC Health and Human Services Committee met last month to discuss possible policy solutions.

One of the strategies discussed by the committee was improving physical education in schools. Jayne Greenberg, who leads physical education initiatives for Miami-



*Kansas Sen. Vicki Schmidt, MLC Health and Human Services Committee co-chair, speaks at the group's August meeting. Iowa Rep. Lisa Heddens is the committee's other co-chair.*

Dade County Public Schools in Florida, pointed out that students who are in poor health have a decreased attention span and are more likely to be absent from school, both of which contribute to poor academic performance.

Greenberg shared examples of successful programs being used in that

school system not only to improve well-being, but also to enhance learning during the school day.

For example, children in Greenberg's school system are able to watch video lessons from their teachers while riding exercise bikes. School staff also work to combine academic subjects with hands-on projects that involve exercise, such as pairing a biology class with an outdoor hike.

The committee also talked about opportunities for improving school nutrition, and heard a presentation by Kevin Concannon, under secretary of food, nutrition and consumer services for the U.S. Department of Agriculture.

Concannon made several recommendations for state policymakers to consider: improving nutritional standards for school meals; increasing access to subsidized meal programs by streamlining the application process; establishing standards for competitive foods sold in schools (such as those offered in vending machines); training people who prepare school meals to serve high-quality, healthy meals that are appealing to students; and helping schools to purchase the equipment needed to produce healthy, attractive meals.

The committee passed a resolution that calls on federal policymakers to reauthorize federal child nutrition programs with increased funding for school meals and more-stringent standards for foods served in schools.

During the August meeting, the committee also discussed mental health legislative caucuses, prescription drug monitoring and health information technology.

Brief written by Kate Tormey, staff liaison for the Midwestern Legislative Conference Health & Human Services Committee. Kate can be reached at [ktormey@csq.org](mailto:ktormey@csq.org).

MLC resolutions call for new compact, seek changes in farm policy

Every year, the Midwestern Legislative Conference Annual Meeting brings together hundreds of the region’s lawmakers.

It provides an opportunity for leaders not only to share ideas and information, but also to give the Midwest a voice on key policy issues.

At this year’s meeting, state legislators passed 12 resolutions urging action on a wide variety of subjects, including policy statements on issues related to agriculture, health care, and cross-border tourism and trade.

• **Health care** — Two health care-related resolutions were adopted by the MLC. One calls for congressional passage of the Child Nutrition Reauthorization Act, which would set new nutrition guidelines for school meals and help schools cover the cost of providing healthier breakfasts, lunches and snacks. The second resolution encourages policymakers to consider adopting the Prescription Drug Monitoring Compact, an agreement that would allow states to share data as a way of preventing prescription drug abuse.

• **Agriculture** — In all, the MLC adopted seven agriculture-related resolutions.

Legislators have asked the federal government to OK the use of an E15 ethanol blend in standard vehicles (up from the current E10 standard) and allow states to make it legal to grow industrial hemp. The MLC also is calling for congressional action on two separate measures: 1) passage of HR 4645, which, by easing trade sanctions against Cuba, would open up the Cuban market to the Midwest’s agricultural producers; and 2) the funding of projects and plans that address persistent flooding problems in the Upper Midwest’s river basins, including the Upper Mississippi River Valley.

In another resolution, legislators ask the U.S. Environmental Protection Agency to make changes to its Spill Prevention, Control and Countermeasure rule, which requires farmers to have plans in place to prevent oil from reaching waterways.

Legislators also voiced their opposition to a bill in the U.S. Congress (HR 305) that would put in place a blanket federal prohibition on the use of double-deck trucks to transport horses. In addition, the MLC is urging members of Congress to remove current funding restrictions that prevent horse processing facilities from being inspected. (Without the inspections, the meat from these facilities cannot be sold.)

• **Cross-border tourism and trade** — Noting that non-business travel between the United States and Canada is on the decline, and tourism revenues are falling as a result, the MLC passed a resolution that calls on federal officials to explore options that reduce the cost of passports. A second MLC resolution calls for U.S. and Canadian leaders to enter into a permanent agreement that ensures the two countries have free, open and reciprocal government-procurement policies.

The final MLC resolution voices support for Taiwan’s request to participate in formal international talks on climate change and aviation safety.

The 12 resolutions will be sent to appropriate state and federal officials; they are available at [www.csghmidwest.org](http://www.csghmidwest.org).

Broder: Midwest a bellwether in pivotal national election year

Partisan control of statehouses, redistricting power at stake

In an election year that will determine who draws the nation’s political maps and that will serve as the first indicator of President Barack Obama’s re-election chances, no region of the country matters more than the Midwest, Pulitzer Prize-winning journalist David Broder said during a luncheon speech at the Midwestern Legislative Conference Annual Meeting.

“It is the most important and significant battleground of them all,” he told MLC attendees.

And he said all signs point right now to some significant gains by the Republican Party.

For example, six of the nine governors’ races in the Midwest involve offices currently held by Democrats, and the GOP appears to have a chance of winning in all six of those contests. In contrast, Broder said, Democrats have a realistic chance of wresting gubernatorial control away from Republicans in only one state, Minnesota.

Broder’s views on the fall elections are in line with August polling results from the Rasmussen Reports’ “Election 2010 Gubernatorial Scorecard.” Rasmussen found that in the races for governor, Iowa, Kansas, Nebraska and South Dakota were all “solid GOP” states, meaning a Republican victory is likely.

In addition, Illinois, Michigan and Wisconsin (states that Obama won and that currently have Democratic governors) “lean GOP.” In all three states, the Republican gubernatorial candidates were leading by eight points or more in August, according

to Rasmussen. The race for governor in Ohio is considered a “tossup”; in Minnesota, Democrat Mark Dayton had a nine-point edge over Republican Tom Emmer in August.

Broder said much less is known about the region’s state legislative races, which are particularly important this year because they will determine which parties control the redistricting process.

Three states to watch are Indiana, Ohio and Wisconsin. In Indiana and Ohio, Republicans are three and four seats away, respectively, from gaining control of the lower chamber — and, likely, the entire legislature. In Wisconsin, a state “leaning GOP” in the race for governor, Democrats hold small majorities in both legislative chambers. Iowa and Michigan are two other Midwestern states where partisan control of the legislature appears to be up for grabs.

But beyond concerns about which parties control statehouses and governors’ offices, Broder said, state legislators also should take advantage of the unique chance they will have over the next year

to influence their federal counterparts.

“You will be sitting there with the pencils and computers that draw their district lines,” he said.

“Don’t let that leverage be squandered. ... Now is the chance to talk seriously with them about state agendas and about what you need from them,” Broder added.



Washington Post columnist David Broder addresses the region’s lawmakers at the Midwestern Legislative Conference. He discussed the upcoming 2010 elections and came with a message for state legislators: Leverage your power in 2011 and 2012 — the power that comes from controlling how the nation’s political maps are redrawn — to get federal lawmakers to consider policy agendas important to states.

Partisan control of state governments entering 2010 general elections*						
State	House		Senate		Party in Control	
	Democrats	Republicans	Democrats	Republicans	Legislature	Governor
Illinois	69	48	37	22	Democrat	Democrat
Indiana	52	48	17	33	Split	Republican
Iowa	55	44	32	18	Democrat	Democrat
Kansas	49	76	9	31	Republican	Democrat
Michigan	65	43	16	22	Split	Democrat
Minnesota	87	47	46	21	Democrat	Republican
Nebraska**	—	—	—	—	—	Republican
North Dakota	36	58	21	26	Republican	Republican
Ohio	53	46	12	21	Split	Democrat
South Dakota	24	46	14	21	Republican	Republican
Wisconsin	51	46	18	15	Democrat	Democrat
Midwest totals	541	502	222	230	3 states, split; 4 states, Democrat; 3 states, Republican	6 states, Democrat; 5 states, Republican
* When numbers were collected by CSG Midwest staff, there was one vacancy each in the Illinois House, the Iowa House and the Wisconsin House and two vacancies in the Michigan House. There also is one independent in the Wisconsin Assembly.						
** Nebraska has a nonpartisan, unicameral legislature.						



# QUESTION OF THE MONTH

One of the many services provided by the Midwestern Office of The Council of State Governments is its Information Help Line, a research service intended to help lawmakers, legislative staff and state officials from across the region. The CSG Midwest staff is always available to respond to members' inquiries or research needs regarding various public policy issues. The Question of the Month section highlights an inquiry received by this office. To request assistance through CSG Midwest's Information Help Line, call 630.925.1922 or use the online form available at [www.csghmidwest.org](http://www.csghmidwest.org).

## Question: How are states in the Midwest implementing the new national insurance program for people with pre-existing health conditions?

In 2014, under the federal health reform bill passed in March, federal law will prohibit health insurers from denying coverage based on health status.

But in the meantime, a new national program — in some states administered by the states themselves, in others by the U.S. Department of Health and Human Services — is being made available for individuals who have been denied coverage in the traditional insurance market because of a health condition.

This population has previously been able to access health insurance via the high-risk pools operating in 35 states (nine in the Midwest). These pools, which cover about 200,000 people nationwide, are typically heavily subsidized by state governments and tend to be expensive to consumers because they are made up of people with higher-than-average medical bills.

The Pre-Existing Condition Insurance Plan, created as part of the new federal health care law, creates new high-risk pools in each state and establishes new rules designed to make these pools more affordable to enrollees.

This spring, states were asked to choose whether to launch their own high-risk pools or to allow the federal government to run the program. Twenty-one states, including **Indiana, Minnesota, Nebraska** and **North Dakota**, chose the latter. The plans in these states began accepting applicants July 1 for coverage beginning Aug. 1.

Twenty-eight states, including **Illinois, Iowa, Kansas, Michigan, Ohio, South Dakota** and **Wisconsin**, opted to create their own pre-existing condition programs. All of these programs are expected to be operational by the fall.

These states will be given some program flexibility as long as basic requirements are met. For example, states must follow cost-sharing limits and eligibility criteria set out by the federal government.

In order to participate in the new pools, individuals must be U.S. citizens and must have had difficulty getting insurance because of a pre-existing condition. Enrollees must also have been uninsured for at least six months prior to application.

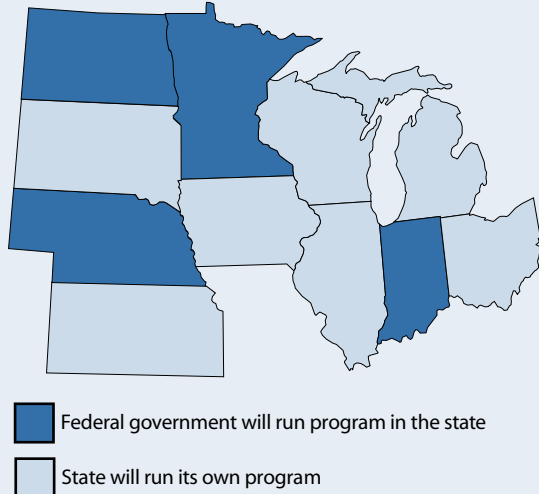
Premiums will vary by state, but additional annual out-of-pocket costs must be capped at \$5,950 for individuals and \$11,900 for families.

Health plans in the program must cover primary and specialty care, hospital care and prescription drugs, but the specific benefits that are offered will be up to the states.

The federal government will cover the entire cost of insuring enrollees.

The Pre-Existing Condition Insurance Plan will be in effect until 2014, when uninsured people will begin to purchase coverage through state-based insurance exchanges.

### Implementation of federal Pre-Existing Condition Insurance Program



▶ CONTINUED FROM PAGE 1

## Encouraging entrepreneurship, bolstering work-based education among policy suggestions

that allow states and provinces to capitalize on their strengths and compete in the global economy.

### 'Laboratories of economic development'

With gridlock at the national level, many of those changes may be left to the states. A panel of experts that followed Fallows' speech underscored the importance of action being taken in the nation's state capitols.

"We've been focused on what the federal government can do for us, but I think we're going to move into this mode very quickly of being the innovators of growth," Graham Toft of GrowthEconomics Inc. said.

"The focus on growth is going to be at the sub-national level, and different regions and different states are going to find the growth opportunities," he added.

Toft suggested, for example, that policymakers in the Midwest do more to encourage entrepreneurship, foster learning and educational attainment at all ages of life, find ways to increase the amount of risk capital available for entrepreneurs and start-up businesses, and collaborate more across state lines.

Jason Henderson, another panelist at the MLC meeting who is the vice president of the Federal Reserve Bank of Kansas City, said states need to become not only "laboratories of democracy," but "laboratories of economic development."

Like Toft, Henderson stressed the importance of entrepreneurship, particularly for rural areas in the Midwest that he said have become accustomed to a "we build it, you will eat it" motto of doing business. That economic model is no longer enough to sustain rural communities, Henderson said.

"Instead of just producing a mass commodity, we need to think about producing goods, through value-added activity, that consumers want and are willing to pay a premium for," he said.

Policy adjustments are needed, too, to help

By the numbers: Midwest's economic relationship with China *		
State	Value of exports to China (2009)	Value of imports from China (2009)
Illinois	\$2.5 billion	\$17.8 billion
Indiana	\$869 million	\$4.2 billion
Iowa	\$367 million	\$771 million
Kansas	\$353 million	\$1.7 billion
Michigan	\$1.3 billion	\$3.0 billion
Minnesota	\$1.0 billion	\$9.2 billion
Nebraska	\$209 million	\$437 million
North Dakota	\$19 million	\$48 million
Ohio	\$1.9 billion	\$8.0 billion
South Dakota	\$20 million	\$75 million
Wisconsin	\$1.1 billion	\$4.0 billion

\* The U.S. Census Bureau notes that there are some "known limitations" with these state-by-state export and import data. For example, in certain cases, the export origin of movement does not reflect the transportation origin. And for imports, the state of destination may not reflect the final location for which the imported goods are destined.

Source: U.S. Census Bureau, Foreign Trade Division

workers in traditional manufacturing centers who have been displaced in recent years by changes in the global economy.

"We're not going to compete with China on its 5-cents-an-hour labor; we need to compete with our brainpower," said James Milway, executive director of the Canada-based Institute for Competitiveness and Prosperity.

One solution, he believes, is making better use of worker-retraining dollars by targeting the money in areas where there are clear workforce needs and shortages.

James Jacobs, president of Macomb Community College in Michigan, noted that just as some job opportunities in his home community have been dwindling, so too are there signs of growth in other sectors — such as health care and the manufacture of defense products.

"We need to have institutions that are able to

adjust to the needs of adult learners," Jacobs said.

He suggested, too, that states bolster their work-based, or apprenticeship, education systems, so that students of all ages can be prepared for a career while also pursuing other educational goals.

"It's not just the Nobel Prize winners and the great research universities" that help states and regions make the necessary economic adjustments, Jacobs said.

"You have to have people in the community, on the ground, with technical and work-based knowledge."

All of the panelists stressed the need for communities and states to be willing to adapt and embrace change.

Fallows noted in his speech that those two characteristics have served the United States and Canada well in the past.

Compared to other countries, he said, we have embraced the "refreshing disruption" caused by immigration. Though often a source of economic and political turmoil, immigration over the long run has allowed the two countries to draw talent from around the world.

"That has been a huge advantage over other societies," he said.

Fallows added that North America has been more willing to accept the "creative destruction" of economic development: Businesses fail and economic sectors wane, but they are replaced by new ones with growth potential. And to help fledgling industries and sectors grow, he said, the two countries have been willing to make the necessary public investments.

Lastly, Fallows said, the region has been greatly helped by its superior higher-education system, which has attracted the best and the brightest students, helped create new industries, and helped develop a skilled workforce.

If the Midwest can hold on to these traits and strengths, he said, it should do well in the global economy — no matter who the competitor is. ★

# Information exchange for legislators

## Future of pension funds, school reform, and energy and transportation policy focus of MLC roundtable discussions

### Pensions: With funding concerns mounting, states re-evaluate what returns to expect on investments

At the close of fiscal year 2008, Illinois had a pension-funding shortfall of \$53.4 billion. And this long-term fiscal problem could be even worse than it appears on paper, if the state's long-term return on investments doesn't match its assumed rate of return — 8.5 percent.

This earnings assumption, also known as the “discount rate,” is a key calculation used by states in managing their pension systems: It helps determine the level of assets that a state believes it will have in order to pay for its long-term pension liabilities.

Illinois has one of the worst-funded pension systems in the country. However, when it comes to the discount rate, Illinois is much like other states, establishing its earnings assumption for pension investments at or near 8 percent.

Are states setting their discount rates too high and, as a result, setting themselves up for even more difficult pension problems in the years and decades ahead?

That was one of several questions explored during a roundtable discussion of the region's fiscal leaders at last month's Midwestern Legislative Conference Annual Meeting. Leading the discussion on pension funds was Susan Urahn, managing director of the Pew Center on the States, which earlier this year released a report detailing the troubled condition of public retirement systems.

The report's name, “The Trillion Dollar Gap,” reflects states' total amount of unfunded retirement liabilities (pensions and other promised benefits such as retiree health care).

As staggering as the figure is, Urahn said, \$1 trillion is likely a conservative estimate because it does not fully account for the heavy investment losses incurred by states in calendar year 2008.

A drop in the discount rate would further add to this funding gap; Illinois' shortfall, for example, would be 55 percent higher if the assumed rate of return were 6 percent rather than 8.5 percent.

“Pension fund managers will tell you if you look at the last 20 years, they got better than an 8 percent return on their investments,” Urahn said at the MLC meeting. “If you look at the last 10 years, the returns, on average, were lower than 4 percent.”

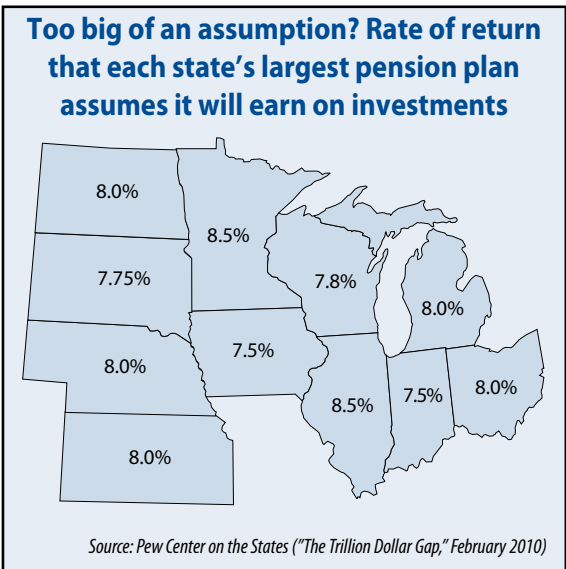
Some states have already decided it was fiscally prudent to lower their discount rates, and many others likely will be considering such a move, Urahn said.

A June 2010 report of the Center for State & Local Government Excellence ([www.slge.org](http://www.slge.org)) lays out the argument for dropping the discount rate: Because pensions are guaranteed under state law, the earnings assumption should not be 8 percent, but closer to a “riskless rate” of 5 percent.

Moving toward a riskless rate, though, would mean a state's annual payment to its pension fund would “have to climb dramatically,” Urahn notes. Considering current fiscal conditions, many states

likely cannot afford a higher payment. But over the long term, can they afford to assume a rate of return of 8 percent? ★

Article written by Tim Anderson of CSG Midwest staff. He can be reached at [tanderson@csg.org](mailto:tanderson@csg.org).



### Turning around failing schools: Ontario initiative shows signs of success; new U.S. state-federal partnership begins

The philosophy for how the province of Ontario tries to improve its struggling schools may seem foreign to those in the United States who have become accustomed to hearing about high-stakes testing and dramatic school-overhaul plans.

“Probably one of the biggest differences I see between the American model and what we have happening in Ontario is ... that balance of pressure and support,” Mary Jean Gallagher, an assistant deputy minister in the Ontario Ministry of Education, said during an MLC roundtable discussion on efforts to turn around low-performing schools.

“In Ontario, we consider it to be support, support, support, support, pressure,” she said.

“To me, the assumption that underlies ‘We’re going to close a bad school; we’re going to fire all the staff at the bad school’ is that you have a staff that doesn’t want to do better.”

“They probably do want to do better,” Gallagher added, “but for whatever reason, they’re not able to get there.”

“So how do we intervene with that school in a way that says, ‘Let us help you find the things that other schools are doing that work and you’re not doing?’”

Part of that effort began five years ago, when the province formed the Literacy and Numeracy Secretariat to work with elementary schools that were not meeting Ontario's educational goals.

Student achievement officers within the Ontario Ministry of Education — who are themselves leading educators — work with the schools, local school boards and the provincial government to improve student literacy and math skills.

In addition, Ontario's low-performing schools

are required to have uninterrupted 100-minute blocks of time every day for students in kindergarten through sixth grade to work on literacy. There also must be a 50-minute block of time set aside each day for math instruction.

“People say, ‘How do you fit the rest of the curriculum in?’” Gallagher said.

“Well, when you think about it, the rest of the curriculum actually can fit well into those literacy blocks. Your social science curriculum can be delivered while you’re focusing on literacy skills. Kids have to read something; they may as well read that, right?”

The schools are provided extra funding to bring in literacy and math coaches, buy supplies or give teachers time out of the classroom to participate in the planning process.

The entire turnaround initiative, Gallagher said, is based on what “research and evidence tell us really make a difference for kids and their achievement.”

This targeted assistance seems to be working.

During the 2003-’04 school year, 54 percent of elementary students were meeting Ontario's standards in reading, writing and math. That number stood at 67 percent in 2008-’09.

Providing schools with the experts, the time and the financial resources is vital, Gallagher said, as is creating an environment where schools, school districts and the government can work together.

“My job is to convince 126,000 teachers they’re going to teach differently today than they did yesterday,” she said. “You’re not going to do that with a whip.”

Turning around low-performing schools is also a top priority for states, and the U.S. federal

▶ PLEASE TURN TO PAGE 7

Room for improvement: Schools failing to meet yearly progress, graduate students		
State	% of Title 1 schools that have not made “adequate yearly progress” for 3 consecutive years <sup>1</sup>	% of high schools considered “dropout factories” <sup>2</sup>
Illinois	4.0%	12%
Indiana	—	4%
Iowa	1.1%	1%
Kansas	1.5%	4%
Michigan	5.5%	12%
Minnesota	9.6%	3%
Nebraska	0.2%	3%
North Dakota	2.3%	4%
Ohio	8.3%	10%
South Dakota	1.2%	5%
Wisconsin	1.7%	6%

<sup>1</sup> “Adequate yearly progress” is an individual state's measure of the yearly progress made by a school toward achieving state academic standards.

<sup>2</sup> To determine whether a school is a “dropout factory,” two different enrollment figures are used: the number of students enrolled in ninth grade and the number enrolled in twelfth grade three years later. A school is considered a dropout factory if, for three consecutive classes, there is a gap of 40 percent or more between these two enrollment figures.

Sources: U.S. Department of Education and the Alliance for Excellent Education



► CONTINUED FROM PAGE 6

government is now making an unprecedented funding commitment to help (through both its regular budget and the American Recovery and Reinvestment Act).

Hundreds of millions of dollars in School Improvement Grants have been allocated this year to states in the Midwest to address the problem of “persistently low achieving schools”: those that continually perform in the bottom 5 percent of a state’s schools on standardized tests, have high dropout rates and fail to make “adequate yearly progress.”

To receive the federal funding, districts must implement one of four turnaround models that include options such as closing the school and reopening it as a charter school, sending students to higher-achieving schools in the district, replacing the school principal and other school staff, and requiring comprehensive curriculum reform and extended learning time for students. ★

Article written by Jennifer Ginn, an education policy analyst for CSG. She can be reached at [jginn@csq.org](mailto:jginn@csq.org).

## Multi-modal transportation: Projects on both sides of border aim to give travelers better transit options

In the Greater Toronto and Hamilton Area, Ontario’s largest metropolitan region, automobiles are far and away the transportation mode of choice, accounting for 75 percent of travel.

But the province’s regional transportation agency, Metrolinx, envisions a much different future for the area. Automobiles would account for only 50 percent of travel, while there would be a dramatic rise in the use of two other modes: Transit would jump from 16 percent to 30 percent of the total transportation share, and walking and cycling would increase from 9 percent to 20 percent.

How does the province plan to get from point A to point B in developing a stronger multi-modal transportation network?

Its strategies are laid out in Metrolinx’s “The Big Move,” a 25-year strategic plan that calls for regional transit service to double, the length of transit lines to triple, bicycle networks to be expanded, and various customer-friendly technologies to be employed (online travel planners and real-time transit information sent to cell phones, for example).

All told, the plan requires a capital investment of \$50 billion, Leslie Woo, vice president of policy and planning for Metrolinx, told lawmakers participating in a roundtable discussion at the Midwestern Legislative Conference Annual Meeting.

“It may look like we’re investing only in transit now, but we hadn’t for 20 years,” Woo said, noting that the region was coming out of a “dark period” in which the province’s investment in public transportation had been inadequate.

The push to develop diverse, connected modes of transportation is gaining traction on the U.S. side of the border as well.

Several factors are at work: new federal policies, the realization that multi-modal transportation can improve a region’s economic vitality and livability, concerns about climate change, and a desire to reduce fuel consumption.

At the MLC meeting, Janet Oakley, director of policy and government relations at the American

Association of State Highway and Transportation Officials (AASHTO), reviewed several promising approaches at the state and local levels.

- In Massachusetts, the GreenDOT Initiative was developed after state officials determined that the state’s land-use and development patterns were unsustainable. GreenDOT incorporates sustainability into all levels of planning and aims to achieve specific targets for reducing greenhouse gases, promoting healthy transportation options and supporting smart growth.

- In Colorado, Denver’s T-REX project is the first design-build contract in the country that combines the development of a major highway with transit elements: 19 miles of light-rail transit, new bridges for pedestrian access and improved conditions for bicyclists.

- Fifteen state departments of transportation (including Iowa, Kansas, Minnesota, and Ohio) have formed a partnership to develop “smart transportation” policies: those that meet mobility needs while advancing broader social goals such as livability and sustainability. Under the State Smart Transportation Initiative, states will share successful strategies and provide technical assistance to one another.

These new approaches are being implemented during a transformative period in U.S. transportation policy and funding.



Nebraska Sen. Galen Hadley (left) and Saskatchewan MLA Wayne Elhard take part in a roundtable discussion at the MLC Annual Meeting on the future of transportation policy and funding.

“The elephant in the room is that we don’t even have sufficient resources to maintain what we already have,” Oakley said, adding that “we need to identify [new] funding mechanisms.”

There is a growing consensus, she said, that the traditional method of funding highways, through gasoline taxes, will need to change: “We know that it has to be some kind of VMT [vehicle miles traveled] tax, but how we’re going to do that — without a huge transaction cost — has yet to be determined.”

At a time when funding is such a critical issue, it is not surprising that state and federal officials are re-evaluating how dollars are spent.

One idea supported by AASHTO is to move away from what has been the traditional “mode-specific” decision-making and funding process.

Rather than develop and finance projects based on the mode of transportation (rail or roads, for example), perhaps funding decisions should be based on meeting the bottom-line needs of a regional transportation system. A set of performance measurements — mobility, safety, economic and environmental impact, and long-term costs — would determine how those needs are best met. ★

Article written by Laura Kliever of CSG Midwest. Laura is director of the Midwest Interstate Passenger Rail Commission. She can be reached at [lkliever@csq.org](mailto:lkliever@csq.org).

## Ontario implements North America’s first feed-in tariff to promote use of renewable energy

Ontario has set a goal of phasing out coal-fired electricity generation by 2014, and to reach that objective (if successful, it would be the first jurisdiction in the world to do so), the province is relying on the power of its recently implemented feed-in-tariff program.

The program, the first of its kind in North America, was one of many provisions included in Ontario’s 2009 Green Energy and Green Economy Act.

Kristopher Stevens, executive director of the Ontario Sustainable Energy Association, talked about the act, and specifically about the feed-in-tariff program, during a roundtable discussion on renewable energy policy at the Midwestern Legislative Conference Annual Meeting.

Ontario’s feed-in-tariff program provides a guaranteed pricing structure for the generation and sale of renewable energy; it includes standardized rules, prices and contracts for anyone interested in developing a qualifying renewable energy project. Contracted prices cover the cost of the project, plus a reasonable return on investment over the life of the contract (typically 15 to 20 years) with the Ontario Power Authority.

By guaranteeing a price for the sale of power generated by renewable sources — biomass, biogas, landfill gas, wind, solar and hydro — the province is banking on an influx of private investment. In its first six months, the feed-in-tariff program had generated \$9 billion in private sector investment, and a total of 694 contract offers had been announced, according to the Ontario Power Authority. The province has a separate “micro” feed-in-tariff program for projects of 10 kilowatts or less in size. It is designed for homeowners, farmers and small businesses.

Some states and municipal utilities have started to look at feed-in-tariff programs as an option for bolstering renewable energy development. According to the National Renewable Energy Laboratory, at least four states have adopted versions of a feed-in-tariff program. Vermont, Hawaii and Maine use a cost-based model: Contract payment levels are based on the cost of the renewable energy project. California’s cost-avoidance model has based the purchasing agreement on what it would have cost the utility to supply the power using a different source.

At least 10 other states have proposed feed-in-tariff legislation, including five in the Midwest. There are many cost, regulatory and legal issues that states must address before adopting feed-in-tariff policies. More information is available at [www.nrel.gov](http://www.nrel.gov). ★

Article written by Laura Tomaka of CSG Midwest. She can be reached at [ltomaka@csq.org](mailto:ltomaka@csq.org).

### States in Midwest where feed-in-tariff bills have been proposed since 2008 (none has been adopted)



Sources: National Renewable Energy Laboratory and Wind-Works.org



# Indiana Rep. Scott Reske

## Retired Marine focuses on revamping the state’s economy and spurring job growth

by Kathryn Tormey ([ktormey@csg.org](mailto:ktormey@csg.org))

Scott Reske has enjoyed successful careers in several different areas, served his country and his state, and holds two higher-education degrees — but there is one accomplishment he is particularly proud of.

“I think I am the only lawmaker in Indiana history to serve in combat while serving as a legislator,” says the Democrat from Pendleton, who recently retired as a colonel from the U.S. Marine Corps Reserve after 28 years of service.

His interest in public service began as a college student at Purdue University, when he volunteered as a firefighter in exchange for room and board.

He says he enjoyed the experience because of the challenge and the adrenaline rush, but that it also taught him skills he still uses today.

“There were times when I pulled up [to an accident] and there was one of me and two people in full [cardiac] arrest, and I had to pick one [to help],” he says. “I learned that you just have to prioritize. Sometimes you had to accept the fact that you can only do one of several things that had to be done.”

Reske points out that his experience as a firefighter prepared him for his next move: joining the Marine Corps.

“I always wanted to be a Marine and I always wanted to fly, and when I realized I could do both, it was a foregone conclusion that was what I was going to do,” he says.

After 10 years as a helicopter pilot, Reske joined a Reserve unit based in Washington, D.C. While there, he became involved in civil affairs, the Marine Corps unit that specializes in nation building and global humanitarian assistance.

In 2004, Reske was sent to Haiti, where he and his colleagues provided help during a coup.

After three weeks in Haiti, Reske and his fellow Marines were redeployed to Iraq. In his month of duty there, Reske did combat assessment, reporting back to Washington, D.C., on nation-building efforts.

Though serving in combat is quite different from his role as a legislator, Reske sees a clear connection between his two career paths: the need for managing the needs of many different people.

“War is managing chaos,” he says. “As a legislator, [you] have all of these inputs and stimuli and you’ve got to somehow prioritize and manage them.”

### Economic development a top priority

After leaving active duty, Reske returned to his home state of Indiana to further his career in civil engineering. The transition from Marine to elected official wasn’t a natural progression for Reske, who says he never pictured

himself running for a seat.

But nearly 10 years ago, he started getting phone calls from friends and colleagues, asking him to consider taking the seat of a state representative who was leaving the legislature.

Time after time, he turned them down.

Eventually, Reske says, he relented. Almost a decade later, he still holds the seat representing a district northeast of Indianapolis.

His district has long been anchored by General Motors, which at one time provided jobs to almost half of the area’s residents. But beginning in the 1970s, the company has slowly shed jobs at the local plant, which builds small electronic parts such as radios and headlights for vehicles.

“My district is an area that has lost thousands of jobs to overseas [facilities],” Reske says. And when the jobs disappeared, he says, so did the young people, who left to find work elsewhere.

Reske is chair of the House Economic Development Committee, and his top legislative priorities have been economic growth and job creation. He supported legislation that allowed a casino to be built at an existing racetrack in the area, creating 700 new jobs.

“You could walk in and see people that you

knew were out of work for years that now have a job,” he says of the casino, which opened in 2008.

Early on in his career, Reske also helped bring a business incubator to Anderson, the largest city in his district. A collaborative venture between city officials and Anderson University, the Flagship Enterprise Center helps local entrepreneurs turn their ideas into products that can be sold around the world.

Last month, Reske talked to CSG Midwest about his path to politics, his views on economic development in his state, and his thoughts on being the next leader of CSG’s Midwestern Legislative Conference. Here are some excerpts from the interview.

**Q: As chair of the House Economic Development Committee, you’ve studied your state’s economic development efforts in great detail. What would you like to focus on next?**

**A:** It has become very evident that we need to find financing for smaller businesses and enterprises — half a million dollars or less — because banks like to offer the big-dollar loans. The administrative costs are the same whether it’s a \$100,000 loan or a \$10 million loan, so they tend to want to push for the larger loan.

But a lot of times, all a company needs is a small loan — perhaps just \$10,000, or \$400,000 at the most. Indiana had a program [to encour-

age these small loans] that has been mothballed and has not been used by our Indiana Economic Development Corporation, which is our equivalent of a commerce department. I would like to bring that program back into use. ...

You have the banks do the lending, but the state does the underwriting. So it reduces the risk to the bank, plus you force those banks to keep those loans [small]. There were a handful of banks that were chartered to do this in Indiana, and there has not been a lot of energy put in by the administration to do that. ...

The state is backing the loans, reducing the risk to the banks, and then you add technical assistance and advice, almost like you would in a business incubator.

**Q: You have mentioned the advanced logistics industry, or the business of shipping goods and products, as one of the top six core areas of Indiana’s economy. Why is it so important to your state and how have you worked to capitalize on this economic strength?**

**A:** Indiana is a natural place for advanced logistics, and Madison County [my legislative district] is in the perfect location in the perfect state for advanced logistics. If you look at the map of the interstate system, a lot of the interstates all consolidate and go through Indianapolis. It’s kind of like a hub with a bunch of spokes.

I had done some legislation that concentrated on that [area]. It was a three-year pilot legislation, and it said that ... if you invest in advanced logistics within three miles of Interstate 69, you could get a property tax abatement for those advanced logistics investments in things like warehousing, computers and trucking.

Nestle was building a huge plant, and the first thing they looked at was legislation that I had [sponsored] giving those tax breaks. ...

The legislation expired [before Nestle finished the project], but they continued to go forward on it. They tell us the legislation was one of the key things that brought their attention to Anderson.

**Q: As the incoming chair of the Midwestern Legislative Conference, what do you hope will be the focus of the 2011 MLC Annual Meeting, which will be held in Indianapolis next summer?**

**A:** Everybody is tightening their belts. The recession will have been going on for a while now. What do we do as an organization to help states manage through this?

We all have the same issues, and so we get to learn from each other. ...

We have all of the information in the world in our hands now. But how do you find the information that’s relevant and then get that relevant information out? That’s what this organization has been doing for years: It’s taking the lessons learned that each state has and then turning it around and getting it out to the other states. ★

### Reske to lead MLC, help host Annual Meeting in Indianapolis

Indiana Rep. Scott Reske and his colleagues in the Indiana General Assembly will host the 66th Annual Meeting of the Midwestern Legislative Conference next year in Indianapolis. As 2011 chair of the MLC, Reske will preside over the meeting, which will be held July 17-20.

The goal of the group’s Annual Meeting is to foster information sharing and cooperation among lawmakers from the region’s states and provinces. The family-friendly event offers policy sessions on a variety of topics of interest to Midwestern lawmakers.

More information on the MLC is available on the CSG Midwest website: [www.csgmidwest.org](http://www.csgmidwest.org).





# Goal of bipartisan caucus is to foster culture of trust, respect inside Capitol

## Class of 2008 builds relationships that will pay dividends for state

by Michigan Rep. Bill Rogers

Over the course of the 2008 election, Michiganders had voiced their displeasure with the state Legislature's inability to perform responsibly and deliberately. It was those residents whom I met during my campaign in coffee shops, in grocery stores and on doorsteps that all carried the same message: "Voters are tired of the culture in Lansing." The people were tired of reading headlines in the newspaper about government shutdowns and legislative leaders slinging mud at the opposition through the media.

Many of the other candidates running for open House seats throughout Michigan were hearing the same feedback from potential constituents. The Michigan Legislature was primed to have an enormous turnover, with the realities of a term-limited era magnified by the effects of a turbulent electorate. This resulted in the introduction of 46 freshman legislators to the Michigan House of Representatives.

Shortly into freshman orientation, the first-term legislators began to share our stories with one another. Our similarities became increasingly evident, which began to dim our glaring differences and party affiliations. We discovered there was a lot more in common than most people had thought, and there was a desire to change the partisan culture. It was not that I had forgotten I was a Republican, but I was able to find commonality for my love for Michigan with my new colleagues and a similar energy to do what was in our state's best interest.

Respectful relationships are essential to an effective government. In a term-limits era, legislators have been given only a brief time to get to know one another. This has made it difficult to build trust or understand the intentions of your colleagues. Before term limits were established, members had a long-standing reputation that allowed them to compromise or make concessions they otherwise were not able to make because of the "race to the top" mentality caused by a term-limits era.

To put our newfound ideals into practice, we formed the Bipartisan Freshman Caucus, co-chaired by myself and state Democratic Rep. Lesia Liss. Each member signed and dated a list of goals and mottos:

The caucus "is dedicated to ensuring that through the legislative process of resolving the problems of Michigan, the newly elected Representatives of Michigan's 95th Legislature:

- Are willing and eager to look beyond partisanship and philosophical divides to accomplish what is necessary to find long-term solutions to Michigan's problems;
- Know each other on a level that presents civility and camaraderie even when we disagree passionately on policy issues;
- Will work towards bringing back integrity and professionalism to the Legislative process;
- Will be remembered for [their] ability to steer Michigan away from economic calamity and unnecessary bickering; and
- Through social and political activities ensure they know each other as friends as well as colleagues."

And here is our caucus motto:

"Democrats and Republicans (DR's) are the doctors that have the ability to fix our state's problems. Republicans and Democrats (R&D) can do the

every citizen's best interest for Lansing to do its job and balance the budget on time and align its fiscal year with that of local schools and municipalities. Local governments and schools cannot be expected to com-

**In a term-limits era, legislators have been given only a brief time to get to know one another. This has made it difficult to build trust or understand the intentions of your colleagues.**

Research & Development required to provide our state with valuable long-term solutions."

### Bipartisan challenges: Improve budget process and school funding

During last year's budget process, our membership was frustrated by the lack of urgency from the governor and legislative leaders in both the House and Senate to come up with a workable solution. Many of my freshman colleagues began to wonder how they could respond to their constituents when asked why they seemed to be a part of the problem, not the solution. Through multiple conversations among us, we concluded that our caucus needed to make a bold statement.

Each member signed a letter written to Gov. Jennifer Granholm and all party leaders in the Michigan Legislature. The declared statement was as follows:

"We the undersigned members of the Bipartisan Freshman Caucus, members of the 95th Legislature, express our strong concerns that a complete state budget has not been signed into law. As we are fast approaching the deadline of the continuation budget passed on October 1, 2009, we are requesting that you the Governor of Michigan, the Speaker of the House and the Majority Leader of the Senate take effective measures to ensure that the state's budget is signed into law by Saturday, October 31, 2009."

The budget debacle was a frustrating problem for all of Michigan's citizens and an embarrassment for any member of the Michigan Legislature. Our goal during this strenuous time was repair, not replacement. We wished to have an open debate on the floor, with up or down votes on these crucial pieces of legislation.

On Oct. 1, 2009, I introduced, with the support of my freshman colleagues, a measure (in the form of a proposed constitutional amendment) to force legislators to finish the state budget by July 1, or have their pay revoked for each day they have not done so. I was outraged by what took place regarding the budget, and more important, what did not take place.

The budget negotiation process is broken, and we believe it is necessary to take bold action. It is in

plete their budgets on a whim while the Legislature waits until minutes before midnight on Oct. 1.

Shortly after the budget crisis was pieced together, the speaker of the House gave the Bipartisan Freshman Caucus a significant opportunity. The speaker asked our membership to propose a solution to Michigan's school funding difficulties within a 30-day time frame.

My freshman colleagues and I were honored to be given this opportunity and gladly accepted the challenge. We quickly began meeting and organized ourselves into work groups based on specific issues that our members believed needed to be confronted. The groups continue to meet and to give presentations on our findings to the speaker.

I strongly believe in those members who have graciously given themselves to the cause for a better Michigan. The Bipartisan Freshman Caucus has successfully brought together our class and generated a level of dignity and respect for how the legislative process should work. I suspect that when our members begin to take the leadership reins in the House, we can successfully complete the cultural change our constituents demanded from their doorsteps, in shopping malls and over their morning newspapers.

Members of the Freshman Caucus will no longer be freshmen after the upcoming elections are over, but the caucus' goal of redefining the culture will continue as the next class of legislators takes the reins and continues our tradition of putting "Michigan First." ★

Michigan Rep. Bill Rogers, a Republican from Brighton, can be reached at [BillRogers@house.mi.gov](mailto:BillRogers@house.mi.gov).

### Submissions welcome

This page is designed to be a forum for legislators and constitutional officers. We accept submissions on a wide range of public policy issues and state initiatives. The opinions expressed on this page do not reflect those of The Council of State Governments or the Midwestern Legislative Conference. Responses to any FirstPerson article are welcome, as are pieces written on other topics. For more information, contact Tim Anderson at 630.925.1922 or [tanderson@csg.org](mailto:tanderson@csg.org).

Future of region’s economy, health care systems explored at MLC Annual Meeting

State and provincial lawmakers from throughout the Midwest gathered in Toronto in early August for the 65th Annual Meeting of the Midwestern Legislative Conference.

Ohio Sen. Steve Buehrer, MLC chair, presided over the meeting, which was hosted by Ontario Speaker Steve Peters and his colleagues in the Legislative Assembly. Close to 500 people attended the event.

Attendees of the four-day conference shared ideas and heard from top experts on a variety of issues of importance to the region’s policymakers, including health care reform, energy, Midwest-Canada relations and education. They also passed 12 policy resolutions (see page 4 for details).

This year’s keynote address was delivered by James Fallows, an acclaimed journalist and national correspondent for *The Atlantic*. Fallows discussed how recent economic trends — particularly the dramatic rise of China — have impacted the United States and Canada (see page 1).

Following his speech, Fallows moderated a discussion with a panel of experts who explored

how policymakers can help the Midwest become more economically competitive in the United States and around the world.

Highlights of the meeting also included a presentation by Pulitzer Prize-winning political columnist David Broder, who shared insights about the upcoming midterm elections (see page 4).

During a series of small-group discussions, MLC attendees had the chance to share policy ideas on how to turn around struggling schools, provide incentives for renewable energy production, and promote multi-modal transportation systems (see pages 6 and 7).

The MLC’s five policy committees met during the annual conference (see pages 2 and 3), and the Great Lakes Legislative Caucus held a one-day summit to explore issues such as invasive species prevention and offshore wind-energy generation.

A summary of the meeting’s events, including presentations from speakers, is available at [www.csghmidwest.org](http://www.csghmidwest.org). Next year’s MLC Annual Meeting will be held July 17-20 in Indianapolis.

States’ economic performance and potential focus of CSG Midwest study

At the MLC Annual Meeting in August, CSG Midwest and GrowthEconomics Inc. released a report that represents the first part of a three-phase initiative analyzing the economic performance of individual Midwestern states and the region.

The goal of the Resurgent Midwest, Insurgent Growth Initiative is to help lawmakers more accurately assess the economic performance and potential of states, as well as to better understand the factors that contribute to growth.

There are two main components of the recently released study. One provides state-by-state “dashboard reports” of state economies by reviewing various long- and short-term economic-growth factors, such as trends in job creation and state tax revenue. The second part of the study provides comparative rankings on the economic performance of states in areas such as business attraction and climate and entrepreneurial activity.

Ohio Sen. Steve Buehrer has made the future of the Midwest’s economy the focus of his chair’s initiative.

The Resurgent Midwest, Insurgent Growth Initiative is supported by the Midwest Innovation Initiative, a project funded by the U.S. Department of Labor’s Employment and Training Administration and managed by the Institute for Work and the Economy.

To receive a copy of the report, or for more information about the initiative, please contact Laura A. Tomaka at 630.925.1922 or [ltomaka@csq.org](mailto:ltomaka@csq.org).

Photos from the 2010 MLC Annual Meeting



Lawmakers from Illinois have a conversation after a policy session. From left to right: Sen. Mattie Hunter, Rep. Dan Reitz and Rep. Ken Dunkin.



Ohio Sen. Steve Buehrer, 2010 MLC chair, introduces a session.



Wisconsin Rep. Marlin Schneider and Illinois Rep. Robyn Gabel listen to presentations during the Great Lakes Legislative Caucus meeting.



James Fallows, national correspondent for *The Atlantic* (left), moderates a discussion with a panel of experts who explored how the Midwest can become more competitive in the national and global economies.



Nebraska Sen. Deb Fischer, North Dakota Sen. John Warner and Illinois Rep. Dave Winters talk during the MLC Executive Committee meeting. At the meeting, the committee formally invited the province of Alberta to join the MLC as an affiliate member.



Ontario Speaker Steve Peters introduces a luncheon speaker.



Rep. Lisa Heddens, co-chair of the MLC Health and Human Services Committee, speaks with health policy expert Vern Smith during a discussion on how recent federal health reforms will impact states.

The Council of State Governments was founded in 1933 as a national, nonpartisan organization to assist and advance state government. The headquarters office, in Lexington, Ky., is responsible for a variety of national programs and services, including research, reference publications, innovations transfer, suggested state legislation and interstate consulting services. The Midwestern Office supports several groups of state officials, including the Midwestern Governors Association and the Midwestern Legislative Conference. The 10-state MGA includes the governors of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Ohio, South Dakota and Wisconsin. The MLC is an association of all legislators in 11 states: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin. The Canadian provinces of Manitoba, Ontario and Saskatchewan are MLC affiliate members.



## State, provincial legislators complete intensive MLC leadership program

In July, 37 lawmakers from 11 Midwestern states and three Canadian provinces attended the 16th annual Bowhay Institute for Legislative Leadership Development (BILLD) in Madison, Wis.

The five-day program is produced by the Midwestern Legislative Conference in partnership with the University of Wisconsin Robert M. La Follette School of Public Affairs. It provides professional development and leadership training for newer legislators from around the region.

The agenda included policy sessions on the regional economy, corrections reform, evidence-based policymaking and government reform initiatives.

In addition, lawmakers took part in a series of professional-development sessions on topics such as time management, effective communications and consensus building.

A panel of four current and former legislative leaders from the region (Iowa Speaker Pat Murphy, Kansas Senate Majority Leader Derek Schmidt, North Dakota Senate Minority Leader David O'Connell and former Ohio Speaker Jo Ann Davidson) shared their insights and gave advice on how to become more effective legislators and policymakers.

Each year, fellowships are awarded through a competitive, nonpartisan selection process overseen by the BILLD Steering Committee. Iowa Rep. J. Scott Raecker and Illinois Rep. Elaine Nekritz are the committee's co-chairs. Minnesota Rep.

### Thank you, 2010 sponsors of BILLD

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Laura Brod and Michigan Rep. Mark Meadows are co-vice chairs.

Next year's Bowhay Institute will be held Aug. 12-16. Applications will be available in December.

For more information, visit [www.csqmidwest.org/About/BILLD.htm](http://www.csqmidwest.org/About/BILLD.htm).

## 2010 BILLD Fellows



*BILLD fellows, listed from left to right. **Row One:** Sen. Kate Sullivan (Neb.); Sen. Toi Hutchinson (Ill.); Sen. Mike Gloor (Neb.); Rep. Ellen Cogen Lipton (Mich.); Rep. Elaine Bowers (Kan.); Rep. Eileen Kowall (Mich.); MLA Warren Michelson (Sask.); **Row Two:** Sen. Steve Soddors (Iowa); Rep. Melanie Meier (Kan.); Rep. Randall Head (Ind.); Rep. Roger Reinert (Minn.); **Row Three:** Sen. Dennis Utter (Neb.); Rep. Brenda Heller (N.D.); Sen. Joe Miller (N.D.); Rep. Kay Hatcher (Ill.); Rep. Erik Helland (Iowa); Rep. Susan Wismer (S.D.); **Row Four:** Rep. Keith Ripp (Wis.); Rep. Peggy Lehner (Ohio); Rep. Ed Gruchalla (N.D.); Rep. Roland Winburn (Ohio); Sen. Craig Tieszen (S.D.); MLA Darcy Furber (Sask.); **Row Five:** MLA Blaine Pedersen (Man.); Rep. Ed Clere (Ind.); Rep. Gail Riecken (Ind.); MPP Bob Bailey (Ont.); **Row Six:** Rep. Elizabeth Hernandez (Ill.); Rep. Andy Jorgensen (Wis.); Rep. Bill Ingebrigtsen (Minn.); Sen. Dan Ahlers (S.D.); **Row Seven:** Sen. Bob Marshall (Kan.); Sen. Nina Turner (Ohio); Rep. Deb Kennedy (Mich.); Rep. Randy Hopper (Wis.); Rep. Jeff Hayden (Minn.); **Not Pictured:** Rep. John Beard (Iowa).*

## Great Lakes Caucus forms task forces on ballast water, wind

The Great Lakes Legislative Caucus, a nonpartisan group of legislators from the region's 10 Great Lakes states and provinces, is forming task forces to explore state policy options and study the feasibility of interstate cooperation on ballast water regulation and offshore wind energy development.

Any legislator interested in serving on these task forces is encouraged to contact Tim Anderson at 630.925.1922 or [tanderson@csg.org](mailto:tanderson@csg.org).



### GREAT LAKES LEGISLATIVE CAUCUS

These groups will help the caucus further one of its primary goals: to strengthen the role of legislators in Great Lakes policymaking and protection efforts. CSG Midwest provides staffing services for the group, which is funded by the Joyce Foundation.

The caucus met in Toronto in August to explore a wide range of policy issues, from protecting beaches and ecologically separating the Great Lakes and Mississippi River, to better regulating ballast water and strengthening the Great Lakes Water Quality Agreement. More information is available at [www.greatlakeslegislators.org](http://www.greatlakeslegislators.org).

## CSG CALENDAR

### UPCOMING MIDWESTERN LEGISLATIVE CONFERENCE AND THE COUNCIL OF STATE GOVERNMENTS EVENTS

#### 2010 CSG NATIONAL CONFERENCE

Providence, Rhode Island  
December 3-6, 2010

Contact: [registration@csg.org](mailto:registration@csg.org)  
800.800.1910  
[www.csg.org](http://www.csg.org)

#### 66TH ANNUAL MEETING OF THE MIDWESTERN LEGISLATIVE CONFERENCE

Indianapolis, Indiana  
July 17-20, 2011

Contact: Gail Meyer ([gmeyer@csg.org](mailto:gmeyer@csg.org))  
630.925.1922  
[www.csgmidwest.org](http://www.csgmidwest.org)

#### 17TH ANNUAL BOWHAY INSTITUTE FOR LEGISLATIVE LEADERSHIP DEVELOPMENT (BILLD)

Madison, Wisconsin  
August 12-16, 2011

Contact: Laura Tomaka ([ltomaka@csg.org](mailto:ltomaka@csg.org))  
630.925.1922  
[www.csgmidwest.org/About/BILLD.htm](http://www.csgmidwest.org/About/BILLD.htm)

New disclosure rules take effect in states

New laws and rules that strengthen state-level campaign-disclosure requirements have been adopted this year in at least four Midwestern states.

One of those states is **Wisconsin**, where the state is now requiring groups that praise or criticize political candidates to disclose where they get the money and how they spend it, the *Milwaukee Journal Sentinel* reports. One central goal of the new rules, which became effective Aug. 1, is to make voters more aware of who is funding the so-called “issue ads” that often appear during the campaign season.

According to a July article in *USA Today*, three other states in the Midwest passed campaign-disclosure laws in 2010: **Iowa**, **Minnesota** and **South Dakota**. In Iowa, SF 2354 requires that corporate donations and independent expenditures be filed with the state. In addition, “paid for by” statements must be clear on television advertisements. Under Minnesota’s SF 2471, many associations with an independent-expenditure political fund must now disclose the names and addresses of their members. South Dakota’s new disclosure law is HB 1053.

In legislatures across the country, new laws have been adopted in the wake of a U.S. Supreme Court ruling that invalidated certain state bans or restrictions on campaign spending by corporations, unions and other groups.

For Ohioans, indexing brings some tax relief

Many **Ohio** residents will be paying a little less in income taxes next year as the result of a law that changes the state’s tax brackets to account for inflation.

In all, indexing will save taxpayers \$25 million on their tax returns due next spring. *The Toledo Blade* notes, too, that the change will have a greater impact over time because the tax brackets will be adjusted yearly to keep pace with inflation. The legislature originally passed the indexing law in 2002, but implementation was delayed until now due to a tax reform plan passed in 2005.

Ohio is one of seven states in the Midwest that has graduated income tax rates. Of those seven, **Iowa**, **Minnesota**, **North Dakota** and **Wisconsin** already use indexing to adjust their tax brackets, according to the nonprofit Tax Foundation. **Kansas** and **Nebraska** do not. Ohio has the region’s highest number of tax brackets, nine. The first \$5,050 of income is taxed at 0.618 percent; that rate rises gradually for each income bracket until it reaches 6.24 percent for earnings over \$201,801.

Three states in the region have a flat tax rate: **Illinois**, 3.0 percent; **Indiana**, 3.4 percent; and **Michigan**, 4.35 percent. **South Dakota** is one of seven U.S. states that does not have an individual income tax.

‘Synthetic marijuana’ a real threat, states say

A substance sold as incense but smoked like marijuana is getting the attention of state policymakers who want it banned.

In **Iowa**, the Board of Pharmacy has adopted emergency rules making it illegal to sell or possess K2, a substance also known as Spice. The board’s decision came in July, a month after the suicide of an 18-year-old, whose parents said K2 caused their son to have a panic attack and kill himself, *The Des Moines Register* reports.

Referred to as synthetic marijuana, K2 contains dried herbs that have been sprayed with research-grade chemicals that are much more potent than THC, the main psychoactive substance in marijuana.

According to the Iowa Governor’s Office of Drug Control, the following effects from K2 use have been reported: anxiety, panic attacks, agitation, elevated blood pressure, rapid heart rate or respiration, vomiting, hallucinations and seizures.

The Iowa General Assembly is expected to consider taking formal action to ban K2 and similar products when it convenes next year. In **Nebraska**, Sen. Beau McCoy already has announced similar plans for 2011.

As of early August, bills banning K2 already had been signed into law in **Illinois** (HB 6459) and **Kansas** (HB 2411).

Market strong for locally grown, produced food

The number of farmers markets in the United States grew 16 percent between 2009 and 2010, thanks in large part to trends in the Midwest.

According to data released in August by the U.S. Department of Agriculture, five of the 10 states that experienced the largest rate of growth in farmers markets are from this region: **Minnesota**, 61 percent; **Michigan**, 60 percent; **Indiana**, 47 percent; **South Dakota**, 46 percent; and **Ohio**, 36 percent.

One goal of three recently signed bills in the Midwest is to further bolster the sale of locally grown or made products.

Illinois’ HB 4756 is designed to provide farmers markets throughout the state with the wireless equipment needed to accept LINK cards from food-stamp recipients. And SB 615 calls for an online database to be created to connect agricultural producers with nearby schools interested in purchasing fresh, locally produced foods.

According to *mlive.com*, a new Michigan law will exempt small-scale producers (those with sales of less than \$15,000 a year) from many licensing and inspection requirements. Their products will be affixed with this label: “Made in a home kitchen that has not been inspected by the Michigan Department of Agriculture.”

Michigan has 271 farmers markets, the fourth-highest U.S. total and second-highest in the Midwest. Illinois has 286 farmers markets.